The POWER of Entrepreneurs

maxxcom
an MDC Company

2000 Annual Report

STAR WARS
Top Story
Headlines
ALWAYS FRESH
Tim Hortons
COFFEE
KRAFT
Dempster's
FLATBREADS of the WORLD
It's a Wrap!
Singles
The tenth commandment condemns envy.
Nothing was ever mentioned about provoking it.
3M Marine
Sprint
The all-new Civic
Still best of breed
HONDA
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ZERO
VISION
VISA INFINITE
PROVIDIAN
Financial
from limits
FREEDOM
VISA INFINITE
VISA
Recurring Payments
Spending Without Limits
My Rewards
Personal Assistant
Infinite Essentials
Offering the ultimate in convenience, personalized privileges, rewards, and unparalleled service.
Unsurpassed service, self-tailored rewards.
Take advantage of the freedom you deserve: 24 x 7 access to your personal assistant, no limit spending, check-free recurring payment service and the flexibility to apply reward points where you want, how you want.
nike
ON THE LIGHTER SIDE OF LIGHT
Campbell's
Dinner's On!
...in 30 Minutes Or Less
Uncle Ben's
Great Dinner Ideas and Tips.
PLUS! Save 50¢ NOW! on Uncle Ben's Rice
ScotTowels
Jumbo

PROFILE

Maxxcom is the largest full-service marketing communications organization based in Canada. Its entrepreneurial partner firms provide a comprehensive range of communications services to clients in North America, the United Kingdom and Europe. Services include advertising, direct marketing, database management, corporate communications, research and consulting, branding and corporate identity and interactive marketing. Maxxcom's Perpetual Partnership™ philosophy provides partner firms with operational freedom while linking them to the professional and financial resources they need to accelerate and optimize growth.

CONSOLIDATED FINANCIAL SUMMARY

(in thousands of Canadian dollars, except per share amounts)

	Three months ended December 31			For the year ended December 31		
	2000	1999	Change	**2000**	1999	Change
Gross income	**75,051**	47,177	59%	**262,505**	149,486	76%
Operating income before other charges	**13,347**	8,036	66%	**46,022**	27,877	65%
Income before income taxes and goodwill charges	**6,298**	3,867	63%	**24,387**	16,524	48%
Income before goodwill charges	**4,632**	2,157	115%	**15,865**	9,417	68%
Net income	**3,450**	1,629	112%	**12,532**	7,930	58%
Cash flow from operations	**6,279**	3,991	57%	**23,203**	12,964	79%
Earnings per share						
Income before goodwill charges						
Basic and fully diluted	**0.18**	0.09	100%	**0.63**	0.40	58%
Net income						
Basic and fully diluted	**0.13**	0.07	86%	**0.50**	0.33	52%
Cash flow per share						
Basic	**0.26**	0.17	53%	**0.95**	0.55	73%
Fully diluted	**0.22**	0.17	29%	**0.90**	0.55	64%
Weighted average shares outstanding during the period						
Basic	**25,698,493**	23,674,001	9%	**25,074,345**	23,674,001	6%
Fully diluted	**27,630,330**	23,674,001	17%	**26,511,017**	23,674,001	12%

expanding

Direct Marketing/Database Management

Direct marketing incorporates a broad range of services designed to elicit a measurable response from a buyer. Services include strategic planning, design, execution, implementation and management of response programs, including database design and maintenance.

Interactive Marketing

Closely linked to direct marketing, interactive marketing provides on-line marketing communications services beginning with strategy and incorporating on-line advertising, web site design and development of email response programs and M-commerce. Most recently customer relationship management systems and intelligent database marketing programs have been added.

Sales Promotion

Sales promotion prompts the consumer to make an immediate purchase decision through the design of point-of-purchase displays, contests, coupons, co-op advertising, sponsorship programs, event marketing and other specialized programs.

Corporate Communications

These services address the requirement of organizations to maintain positive relationships and communications with key constituencies and stakeholders. Key public relations services include planning and strategic counselling, media-relations counselling, spokesperson training and the production or management of a variety of communications tools and activities.

Advertising

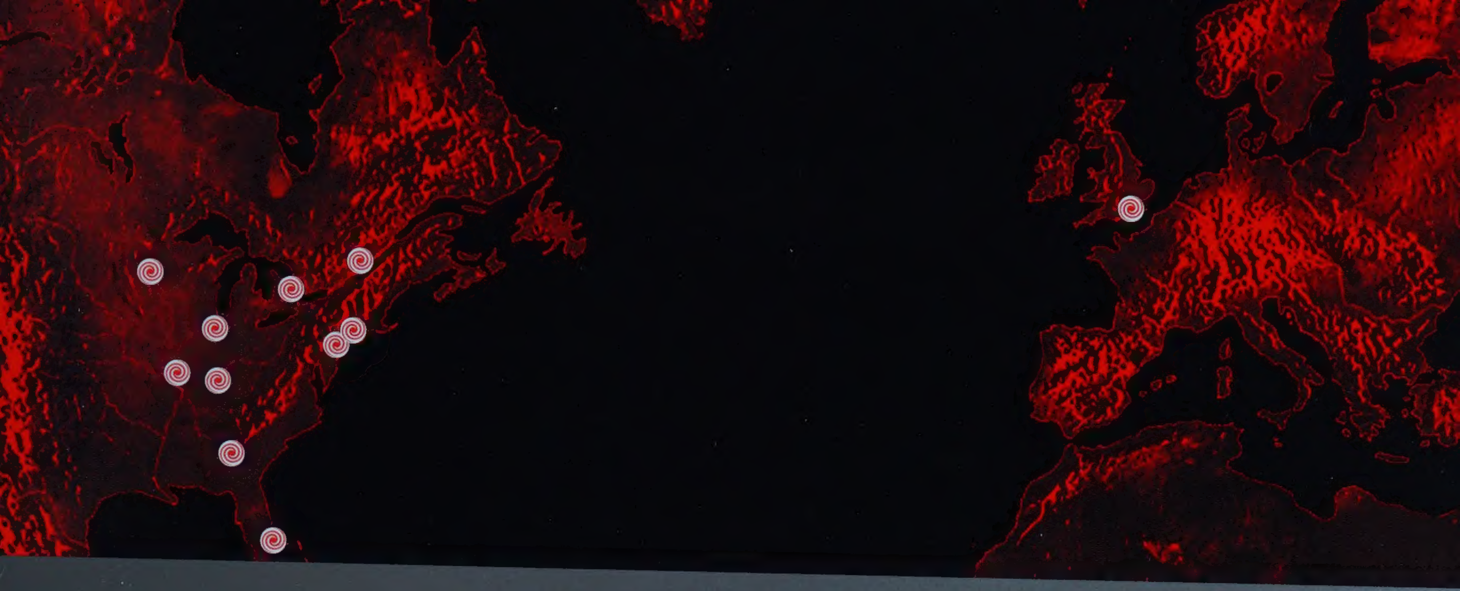
The main function of this service is to market products and services to potential buyers by increasing brand awareness, brand loyalty and purchase frequency. Typically, advertising services include the strategic development and planning of mass-communication campaigns; the creative development and production of advertisements; the planning and buying of time and/or space in a variety of media; and the provision for marketing and consumer research to clients on an ongoing basis.

Research and Consulting

These services include qualitative and quantitative measurement techniques that can help improve the performance of communication efforts through better assessment of audiences as well as consumer perceptions and opinions, evaluation of communication strategies and tools and measurement of the results achieved.

Branding and Corporate Identity

Branding and corporate identity services aim to create, revitalize, manage and implement clients' corporate identity, brand image and nomenclature systems, as well as to design and produce all the communication tools required by organizations to support their corporate identity.



the network

Gross Income by Geographic Region

FACTS

growth in 2000

- Fully diluted EPS growth of 52% exceeded targeted 25% growth
- Grew 20% organically at the pro forma operating income level by conforming with a rapidly changing marketplace
- Completed nine platform and tuckunder acquisitions, representing approximately $60 million in annual gross income, after reviewing over 100 potential partner firms during 2000
- Raised net proceeds of $58 million through initial public offering in March 2000
- Completed $80 million credit facility with a syndicate of five Canadian banks
- Expanded geographic reach in the United States and entered the United Kingdom, establishing a foundation for global growth
- Expanded successful Northstar start-up into the United States and the United Kingdom, and launched interactive start-up, eSource, in the United States

TARGETS IN 2001

- EPS growth at or above marketing communications industry level
- Maintain operating margin of 17.5%
- Continued expansion in high-growth segments of direct marketing, sales promotion and public relations through acquisitions in key geographic locations
- Demonstrate value-added capabilities to partners through mergers and acquisition skills, human resources development, financial acumen and provision of capital, while leveraging our size to achieve economies of scale
- Facilitate the smooth transitioning of the management of partner organizations from current Generation 1 to future Generation 2

To Our Shareholders

INDUSTRY GROWTH

Valued at over US$400 billion, the marketing communications industry growth rate in 2000 topped 7%. Increasing competition, deregulation and emerging technologies will continue to drive growth.

Maxxcom's pro forma organic growth rate in 2000 was 20% at the operating income level.

SPECIALIZED COMMUNICATIONS

Historically, advertising has been the primary service provided by the industry. However, as clients aim to establish one-to-one relationships with customers, and more accurately measure the effectiveness of their marketing expenditures, specialized communications services now dominate the industry.

64% of Maxxcom's revenue is derived from "below-the-line" specialized communications services.

The power of entrepreneurs is at the heart of Maxxcom's corporate philosophy. And the company's results for 2000 clearly illustrate how potent that strategy can be.

Gross income rose by $113.0 million to $262.5 million, a 76% increase over 1999. Net income grew by 58% from $7.9 million to $12.5 million. Fully diluted earnings per share were up by 52% to $0.50 from $0.33 the previous year.

The marketing and communications industry has always been driven by entrepreneurs. Cost of entry is low, and the currency of the business is ideas. Moreover, the business continues to be highly fragmented, with small and medium-sized firms.

From the beginning, we recognized that these realities presented an opportunity. We could take the best of both worlds – from the creative benefits of being a smaller independent, to the economies of scale that large marketing communications corporations enjoy – and create a business partnership that was highly attractive to entrepreneurs and mutually profitable.

As a result, Maxxcom has developed a unique approach we call Perpetual Partnership™. It's designed to harness the power and creativity of these entrepreneurs by allowing them to retain a very real ownership stake in their futures. In contrast to many of the large global consolidators that typically acquire 100% of an acquisition target, Maxxcom generally buys between 50.1% and 80% of rapidly growing marketing communications firms. The entrepreneurial managers remain as owners and partners with a vested interest in ensuring the company's continued success.

The power of the concept is evident in what Maxxcom accomplished in 2000. We welcomed nine new firms into Maxxcom's family of companies. They represent approximately $60.0 million in additional annual gross income. These acquisitions have been both "platforms," which are majority ownership purchases, and "tuckunders," which are strategic mergers and start-ups that enable our partner companies to expand and complement their service offering or geographic reach, helping accelerate growth.

INDUSTRY CONSOLIDATION

Consolidation of the marketing communications industry continues on a global basis. Still a highly fragmented industry, it offers a significant opportunity to grow through acquisition.

Maxxcom completed nine acquisitions in 2000, including its first investment in the United Kingdom.

INTERNET COMMUNICATIONS

The implementation of web sites, on-line advertising and email response programs has changed the way clients do business today. They are now investing in customer relationship management systems and database marketing to personalize and maximize their relationships.

Through Accent Marketing Services, the TargetCom group, CyberSight and its integrated communications partners, Maxxcom is well positioned to capitalize on personalized customer communications on the Internet.

We reached a key milestone on March 23, 2000 when we became a publicly traded company and raised net proceeds of $58.0 million through an initial public offering (IPO). Maxxcom's shares are listed on The Toronto Stock Exchange under the stock symbol MXX.

Maxxcom's share price weathered the highly volatile securities markets quite well, particularly the market fluctuations in the latter part of 2000. Since our IPO we have garnered positive interest and coverage from some of the most respected and largest securities firms in Canada, each of which has produced highly favourable reports with "Buy" recommendations.

In addition, organic growth was an integral part of our strategic plan and will continue to be as we move forward. On a pro forma basis, our partner firms grew their core businesses by 20% at the operating income level.

We have tripled in size in the last couple of years by shifting our focus to the United States, whose marketplace, we believe, provides the strongest growth potential. We are also focusing on the highest growth segments of the industry, such as direct marketing, public relations and sales promotion. In addition, we've invested in Europe because we believe a wider geographical reach will enhance our business platform to serve multinational companies.

It is impossible to fully describe all of Maxxcom's positive accomplishments in 2000 in this letter; however, I invite you, our shareholders and prospective shareholders, to read the pages that follow in this our inaugural annual report as a public company. It will provide you with an opportunity to meet our people, familiarize yourself with our unique business model, and get a sense of the value our partners and staff bring to Maxxcom as we continue our record of growth and profitability.

It is the people who are the essence of this business, and it is their creativity and quality of work that produce meaningful results. I'd like to take a moment to personally express my gratitude to our partners, staff and board of directors for their combined effort to make 2000 such a resounding success, especially as we look forward to what we believe will be another strong year.

Beverley Morden
President & Chief Executive Officer

CHAIRMAN'S MESSAGE

As Chairman, I am very proud of Maxxcom's accomplishments in 2000. Maxxcom's IPO marked the successful culmination of a strategy initiated in 1998 to crystallize the underlying value of the division. The markets' ongoing support since its debut last spring as a public company has been encouraging, and I believe, as Maxxcom realizes its growth and profit potential, shareholders will be handsomely rewarded.

Maxxcom's business grew significantly in 2000 with the addition of nine new partner firms, including further expansion in the U.S. and entry into the United Kingdom, as well as through organic growth. Maxxcom's enhanced critical mass will allow partner firms to more effectively build their businesses, particularly through focused cross-selling efforts. In turn, clients benefit as a result of having a broader and more diversified service selection from which to choose.

Maxxcom's Perpetual Partnership™ model is a proven success in the marketplace and is a strong platform for future growth. It proves that Maxxcom's underlying strength is its people, both in terms of its diversified management team and partners. Under the direction of President and CEO Beverley Morden, Maxxcom has been able to attract partners at the top of their game, with each bringing an abundance of creativity and drive to help further Maxxcom's reach.

I would like to congratulate and thank Beverley, her team, and Maxxcom's partners and their staff for their dedication and for delivering spectacular financial results in 2000. Maxxcom's future is bright, its business is strong, and I am confident 2001 will be another stellar year.

Miles S. Nadal

Miles S. Nadal
Chairman

THE MAXXCOM TEAM

The Maxxcom approach is uniquely successful because it allows everyone to do what they do best. Our partner companies were founded on creativity, innovation, and direct responsiveness to client needs. Maxxcom, in turn, provides significant depth and breadth of management support and strategic advice to *our* key customers – our partners and their companies. We believe this singular relationship with partner firms puts Maxxcom in an unmatched position to deliver shareholder value.

powering growth

Sitting from left to right:

Joseph Gilbride
Senior Vice-President,
Corporate Development,
Maxxcom USA

Deborah Troister
Vice-President,
Human Resources

Ray Forzley
Director,
Corporate Development

Maryann Wesley
Executive Assistant
and Office Manager

Standing from left to right:

Beverley Morden
President &
Chief Executive Officer

Robert Dickson
Executive Vice-President,
Corporate Development

Glenn Gibson
Executive Vice-President
& Chief Financial Officer

Maxxcom's team of professionals, with well over a century in combined business experience, offer partner firms an impressive range of services as part of our corporate resources. Maxxcom provides business and strategic planning, regional and international expansion expertise, mergers and acquisitions (M&A), corporate development advice, human resources management, as well as capital to support growth.

Entrepreneur-owned firms face many challenges, but one of the most difficult issues is dealing with the succession of management and ownership of the company, or Generation 1 to Generation 2 transitioning.

Maxxcom's human resource professionals are experts at helping company management identify suitable successors and in following the process through until an appropriate individual is in place.

In the M&A and corporate development area, Maxxcom's team provides partners with advice on how to strategically grow their companies, locally, regionally, or on a global basis. For both Maxxcom and our partners, this approach has proven to be far more cost effective than the traditional method of retaining outside counsel.

Maxxcom also understands that the key to effectively managing its relationships with partner firms is clear and continuous communication. In addition to regular phone calls, emails, and on-site visits, Maxxcom periodically holds meetings with all partner companies to exchange ideas and seek out new ways to do more business together. As a result, Maxxcom is provided with an opportunity to learn more about partner company needs, which can then be quickly addressed.

Clearly, when our partners do well, Maxxcom does well, and that means our shareholders will do well. By providing Maxxcom's in-house resources to our partners, we believe we can achieve that goal in record time.

A UNIQUE MODEL

Maxxcom attracts the best marketing communications professionals in the industry. The key attribute that sets our partners and their companies apart from others in the field is their creativity. It is also their bold, innovative and original work, combined with their ability to understand and stay ahead of their clients' needs, that make them so successful in a fiercely competitive sector.


1


2


3

1 George Fertitta,
Margeotes|Fertitta + Partners
New York, N.Y., USA
Integrated Communications

"The culture of our company is to have a full and trusting relationship with our clients and that garners confidence on both sides of the relationship. Our staff are self-starting and entrepreneurial, so for us to have gone with a traditional situation wouldn't have worked."

Fertitta's view on the benefits of joining Maxxcom: *"Maxxcom's so appealing. Not only do you have the illusion of ownership, but the reality of ownership… They've supported us in making two acquisitions, and that's only made us better."*

2 Matthew Hooper, Interfocus Network
London, England
Integrated Communications

"I've been an entrepreneur all my life. It's about creating something that's fun and enjoyable and doing something that is different and better. The market is changing rapidly. Scalability and globalization are increasingly important and so is the ability to provide a wider range of services. To do this you need great partners."

What impressed him about Maxxcom: *"Beverley (Morden, Maxxcom's CEO) and her team. They're smart, dynamic people and their business model is radically different. They understand that it is the entrepreneurial spirit that has built this business and therefore actively support and encourage it. They promise to be the ideal partner."*

3 Howard Steinberg, Source Marketing
Westport, Connecticut, USA
Specialized Communications

"After going it alone for many years, I wanted a partner and couldn't find anyone smart enough – people or agencies. Then along came Maxxcom. The price was right, they don't bug us and when they tell you they'll support you, they mean it."

Steinberg's view of the future: *"We've really hit our stride. I've never felt more positive starting a year than now."*

perpetual partnership™

4

5

6

(4) **Tom Hansen, Accent Marketing Services**
Louisville, Kentucky, USA
Specialized Communications

"We give clients lots of attention. For example, when we started out with our client, Sprint, we barely had any of their business, just a drop in the bucket. We didn't give up and proved to them what we could do. We now do about half of their callings (representing US$22 million in annual revenue). I've learned, never give up, and once you get the business, don't take your eyes off it."

Hansen's work ethic: *"I grew up in an entrepreneurial family. I have passion, energy and good common sense. I also want to surround myself with excellent people."*

(5) **Nancy Ladenheim, Bryan Mills Group**
Toronto, Ontario, Canada
Specialized Communications

"We began as a highly specialized annual report firm, but with support from Maxxcom we're transitioning into a corporate communications company offering a broader scope of services. This allows us to strengthen our client relationships as well as enhance our competitiveness."

Ladenheim's vision for BMG: *"As a 'second-generation' president I inherited a jewel of a company, but now my team and I have the opportunity to transform it into something even more brilliant and valuable."*

(6) **Terry Johnson, Allard Johnson Communications Inc.**
Toronto, Ontario, Canada
Integrated Communications

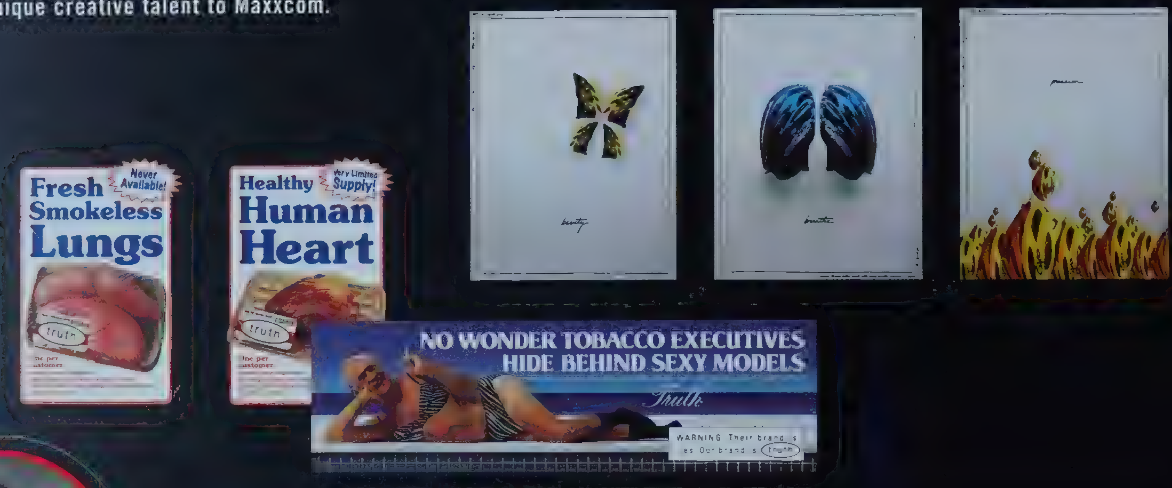
"Maxxcom has provided me with the management and financial support to grow our business from its initial Cdn$3 million in revenues eight years ago, to Cdn$18 million today. It is through their true dedication and commitment to the Perpetual Partnership™ philosophy that we have attained this strong growth."

Johnson's view on Maxxcom's resources: *"Maxxcom builds on its entrepreneurs' experience and vision by providing the capital resources sometimes required, as well as strategic expertise."*

entrepreneurial

NEW PARTNERS

Several partner firms joined Maxxcom in the past year or so. We asked a few of our newest partners to describe what attracted them to Maxxcom. As you'll see by a sampling of their firms' work on these pages, they each bring unique creative talent to Maxxcom.



Chuck Porter
Crispin Porter + Bogusky
Miami, Florida, USA

"We've had some explosive growth and we've been courted by a lot of networks. From the day we met them, Maxxcom was uniquely appealing as a partner because their priority was to keep us in the game and let us do what we do best.

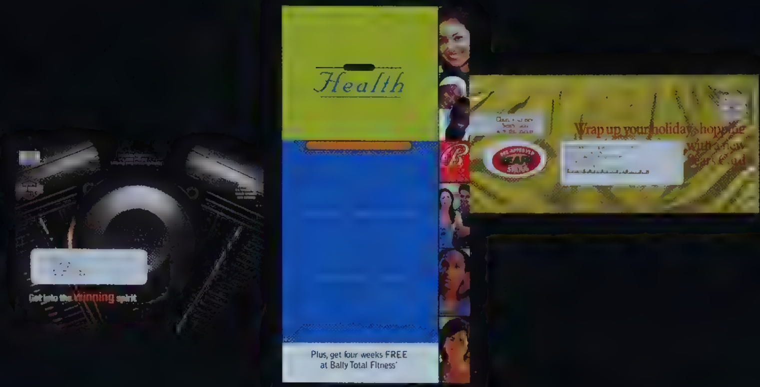
[illegible] sound strategy for agencies like ours. I think while most networks are at the end of their growth cycle, Maxxcom is at the beginning."

Julie Mackenzie
Mackenzie Marketing
Minneapolis, Minnesota, USA

"When we decided to look for an acquisition partner, we wanted someone who valued entrepreneurial leadership. We actively disliked the mega acquirers and their one-size-fits-all mentality.

We wanted the ability to make independent decisions, share the risk that comes with growth and benefit from a larger network of companies. We found it in Maxxcom."

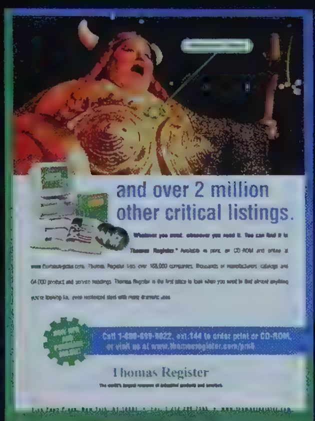
spirit



Jay Miller
TargetCom
Chicago, Illinois, USA

"Prior to partnering with Maxxcom, TargetCom had already been successful at bringing customers closer to some of the greatest brands on earth – Sears, Harley-Davidson, 3COM, Bally Total Fitness, UPS, Searle, and many others.

But after becoming a part of Maxxcom, TargetCom can now offer complementary global skill sets which have made us even more valuable to our clients, prospects and employees. Maxxcom clearly provides us a proven competitive edge."



Holly Pavlika
Pavlika Chinnici Direct
New York City, New York, USA

"Having been a part of another agency network, it was important to be part of something that allowed us access to greater resources without the expectations of homogenizing our business to fit within the family. We have collaborated with other Maxxcom agencies and have found everyone to be enthusiastic and knowledgeable, and there's a genuine feeling of wanting to help each other.

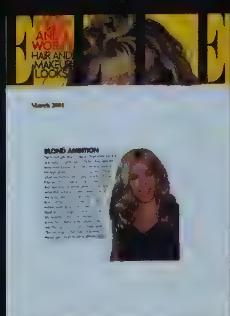
The entrepreneurial spirit that Maxxcom seeks in its agencies comes through loud and clear."

Helping Bristol-Myers Squibb launch Vaniqa
Making Hasbro's new Tonka truck the hot holiday toy
Introducing Sarah Jessica Parker as the face of Garnier Nutrisse

Stan Bratskeir
Bratskeir & Company
New York City, New York, USA

"Our clients and our key prospects are leaders in consumer products, healthcare, retailing and technology – the kind of clients that all agencies covet.

By becoming part of Maxxcom, we have become an even more competitive firm for the best assignments without diluting the energy, enthusiasm, urgency and fun that are key ingredients to our company. We simply did the deal, cashed the checks and went back to work."



world's

CREATIVE SOLUTIONS FOR OUR CLIENTS

Two distinct types of partners make up the Maxxcom portfolio: integrated and deeply specialized. Maxxcom's integrated partners offer clients a full range of marketing communications disciplines. Because they offer a full range, the solutions they deliver are client based, not service based. Also, because one firm creates everything, that firm has an in-depth understanding of the client's marketplace, and all work speaks with a consistent brand voice. Maxxcom's specialized partners are fervent practitioners of an individual marketing communications discipline. These firms have a depth of expertise in their respective disciplines that may not be found in integrated firms. These next pages illustrate a sampling of the creative work Maxxcom's partner firms produce and deliver to their clients to meet their particular needs.

Direct Marketing / Database Management

Sales Promotion

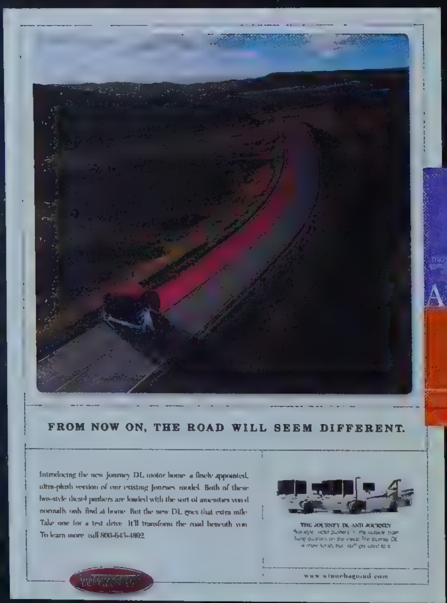
Corporate Communications

Research & Consulting

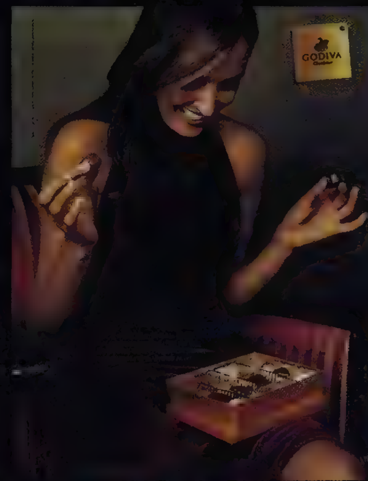
Advertising

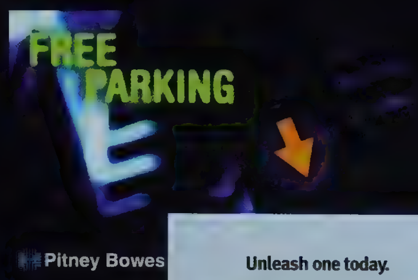
Branding & Corporate Identity

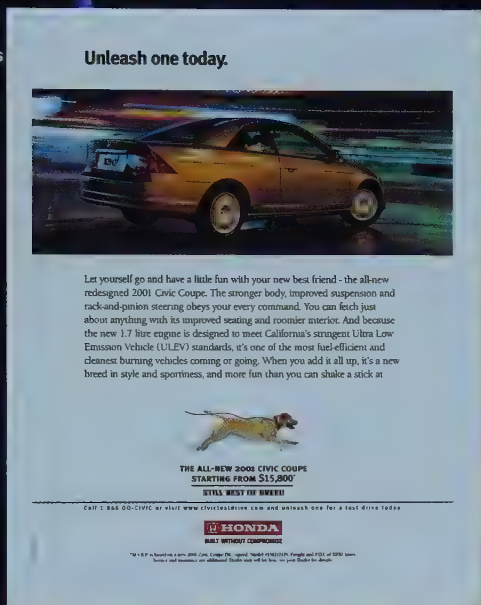
Interactive Marketing

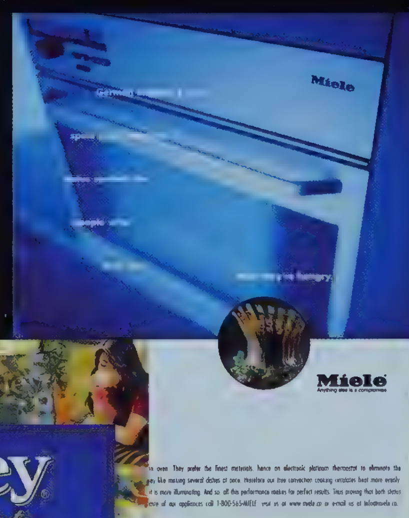


leading brands









Pfizer


Opportunity Rings
Call
e Incoming Calls Plan
Cellular SOUTH
PEPSI
PEPSI
Canada Day!
Share the Joy
HBO
TRIAL PACK
Take Home 30 Days of the BEST ENTERTAINMENT on Television
when you buy this activation kit!
$4.95
OUR DEVASTATINGLY EFFICIENT
NEW WHEELSET.
SHIMANO
INTRODUCING THE POWERFUL NEW
FOUR-PISTON DISC BRAKE.
SHIMANO
N:LINE
INC.
HBO
TRIAL PACK
FOUR SEASONS

The following discussion focuses on Maxxcom Inc.'s (the "Company" or "Maxxcom") operating performance for the years ended December 31, 2000 and 1999. This analysis reviews the Company's financial performance and financial condition and should be read in conjunction with, and is derived from, the audited consolidated financial statements presented later in this annual report. All amounts are in Canadian dollars unless otherwise stated.

Overview

Maxxcom is the largest full-service marketing communications organization based in Canada. The Company through its subsidiaries provides a comprehensive range of services to clients in Canada, the United States, the United Kingdom and Europe. Marketing communications services include advertising, direct marketing, database management, sales promotion, corporate communications, research and consulting, branding and corporate identity and interactive marketing.

Established in 1980, the activities now carried on by the Company were formerly carried on as the Communications and Marketing Services division of MDC Corporation Inc. ("MDC"). Under a reorganization effective March 1, 2000 (the "Reorganization"), MDC transferred to the Company substantially all of MDC's interest in these companies. On March 23, 2000, the Company successfully completed an initial public offering of the Company's common shares, which were listed on The Toronto Stock Exchange. Immediately following the offering MDC retained an approximate 72% interest in Maxxcom. As of February 15, 2001, MDC held approximately 74% of the issued and outstanding common shares of the Company. The Company has grown rapidly through a combination of internal growth and strategic acquisitions. This growth has been enabled by Maxxcom's unique Perpetual Partnership™ business model. The Company currently has 25 significant partnerships, twelve of which were acquired prior to 1998, three were acquired in 1998, four in 1999, five in 2000, and one, Crispin Porter + Bogusky, was acquired in January of 2001.

Fiscal Year Ended December 31, 2000 Compared to Fiscal Year Ended December 31, 1999

OPERATING RESULTS

A summary of selected consolidated financial information is provided below:
(in thousands of Canadian dollars)

			Change	
	2000	1999	$	%
Gross income	**262,505**	149,486	113,019	75.6
Operating expenses	**216,483**	121,609	94,874	78.0
% of gross income	**82.5**	81.4		
Operating income before other charges	**46,022**	27,877	18,145	65.1
% of gross income	**17.5**	18.6		
EBITDA (above less minority interest)	**33,085**	19,512	13,573	69.6
% of gross income	**12.6**	13.1		

Gross Income

"Gross income" of the Company equals "gross billings" less the recovery of certain costs that are normally characterized as pass-through billings to the client. "Gross billings" reflect all amounts billed by the Company. This would include items such as: commissions earned from

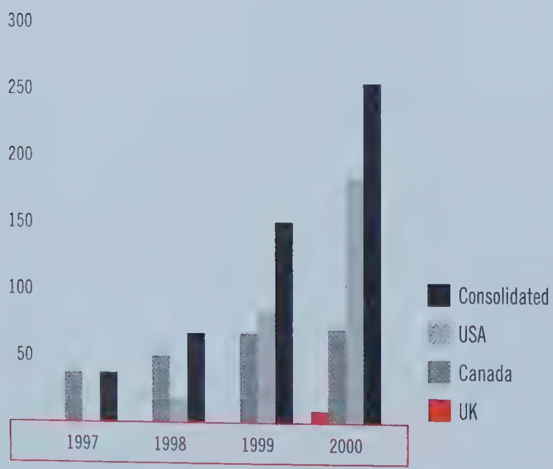
advertising placed with media; fees derived from all other services provided; and, recovery of costs incurred, for example, media time and production materials and services. "Gross income" is generally viewed as the most appropriate measure of revenues for companies such as Maxxcom. "Gross billings" may vary significantly due to the volume of pass-through costs, which ultimately results in very little impact on "gross income."

The Company's gross income grew by $113.0 million in 2000, 76% over 1999 levels. Of this expansion, $46.1 million stemmed from internal growth, while $27.5 million was added through acquisitions completed in 2000, with the balance related to the full year effect of businesses acquired in 1999. On a pro forma basis, comparing a full twelve months of operations in both 2000 and 1999 for businesses owned at the end of 2000, gross income improved approximately 19% year over year. The Company completed two significant platform acquisitions in 2000, adding the integrated operations of Interfocus Network Limited ("Interfocus"), the Company's first U.K.-based subsidiary, as well as the direct marketing specialist TargetCom Group ("TargetCom") based in Chicago. In addition, seven "tuckunder" acquisitions of various sizes were added to existing partnerships and a start-up was funded in the interactive direct marketing services business.

The Company's internal growth was driven by several factors. Growth was derived from a sizeable increase in gross income from below-the-line services, such as direct marketing, sales promotion and consulting, while advertising services also increased significantly with the addition of the Interfocus subsidiary in the last third of the year. On a pro forma basis, the Company's U.S. operations, with the exception of Colle & McVoy, Inc. ("Colle & McVoy"), experienced growth in excess of the forecasted industry average growth rate of approximately 7%, and, in most cases, noticeably above this. These operations contributed incremental revenues from existing as well as new clients during the year. As a group, on a pro forma basis, the Canadian operations did not experience similar growth year over year. Some of these operations saw growth through new project revenues, while others were challenged by such factors as government spending freezes, due to the fall elections in Canada, and client mergers and reorganizations.

The acquisitions completed by the Company during the year and the rapid expansion of the existing U.S. businesses were behind the significant change in the geographic components of the Company's gross income. Gross income by geographic region is shown below:

Gross Income by Geographic Region
$millions

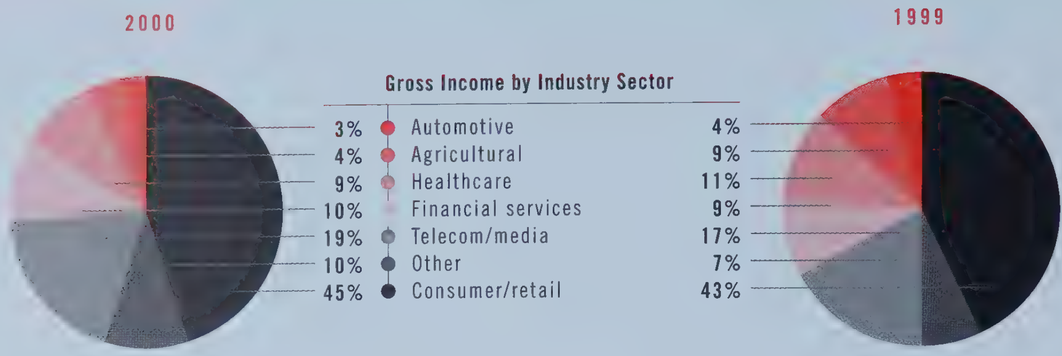


For the year ended December 31, 2000, 70% of the Company's gross income was derived from its U.S. operations, 27% from its Canadian operations and 3% from the newly acquired United Kingdom-based operation. In 1999, 55% was attributable to the U.S. operations and 45% to the Canadian operations.

While acquisitions such as TargetCom increased the direct marketing component of services offered in 2000 as compared to 1999, the public/investor relations component, largely Canadian-based, proportionately decreased. The services composition of the Company's gross income in 2000 compared to 1999, is demonstrated in the following graphs:

Maxxcom has and will continue to seek out acquisitions that will maintain the Company's targeted mix of services in the range of 30% advertising and 70% "below-the-line" services. This is closely aligned with the spending mix of services requested by clients and provides the Company with a resilient below-the-line income base which is expected to better withstand the impact of any economic slowdown on gross income. The Company's actual gross income service mix will vary from time to time depending on the sequence of acquisitions and changes in clients and client needs.

Maxxcom has a significant number of clients, including a large number of recognizable brands. The Company's top fifteen clients represent approximately one-third of gross income in 2000. Maxxcom's gross income by client industry sector, shown on page 20, demonstrates a well diversified base, notably with below 5% of gross income derived from "dot.com" clients in 2000. The combination of regional disbursement, significant sector diversification, and a large client base has minimized client concentration risk for the Company.



Operating Expenses

Operating expenses include the costs of advertisement and promotional material production that are not pass-through in nature, salaries and benefits, occupancy costs and other general administrative costs. In 2000, several factors resulted in a relative increase in these costs, apart from the impact of acquisitions.

Corporate administrative costs decreased from approximately 2.0% of gross income in 1999 to 1.6% in 2000; however in dollar terms these costs increased $1.3 million year over year. In anticipation of and as a result of the Reorganization and the completion of the Company's initial public offering in March 2000, additional staff and costs were incurred which were related to becoming a stand-alone public company. These costs are not expected to increase at the same rate in the future.

Operating businesses acquired in 2000 generally had lower relative costs as a percentage of gross income than the existing businesses of the Company. This positive factor was partially offset by the relative increase in operating expenses experienced at Colle & McVoy specifically and to a lesser extent in some of the smaller Canadian operations.

Operating Income Before Other Charges

Operating income for the year climbed to $46.0 million compared to $27.9 million in 1999, a 65% increase. This increase was largely driven by the expansion in revenues discussed above.

As a percentage of gross income, operating income margin slipped slightly in 2000 to 17.5% from 18.6% primarily due to two factors. The first factor was the step-up in head office costs stemming from the Company becoming a stand-alone publicly traded company. The second factor was the slower rate of decline in Colle & McVoy's expenses relative to reduced revenue levels experienced early in 2000.

Minority Interest

Minority interest rose from $8.4 million in 1999 to $12.9 million in 2000, an increase of 55% as our partners directly participated in the growth of earnings. This increase is related to the strong performance of our non-wholly owned subsidiaries and the acquisition activity in 2000. The proportionate growth in this amount is a solid indicator of the alignment of all shareholder goals under the Perpetual Partnership™ business model.

Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA")

The Company defines EBITDA for its purposes as the net result of "Operating income before other charges" less "minority interest," as presented in its statements of operations. The Company's management believes cash flow, as defined by EBITDA, is an appropriate measure of the Company's operating performance, given the growing non-cash goodwill charges associated with the Company's acquisitions and the significant cash participation in profitability shared by our minority shareholders. Maxxcom's EBITDA surged 69.6% in 2000 to $33.1 million as compared to $19.5 million in 1999, driven primarily by acquisitions in 2000 and strong internal growth. As a percentage of gross income, EBITDA was 12.6% in the current year as compared to 13.1% in 1999, reflecting the same factors that affected operating margins discussed above.

Amortization

Amortization jumped from $2.9 million in 1999 to $7.0 million in 2000. This was related to the acquisition activity in the current year, combined with the full year impact of acquisitions completed in 1999.

Interest Expense

Interest expense, net of interest income, increased $1.6 million to $1.7 million in 2000. The increase was driven primarily by the increased borrowings related to acquisitions completed in 2000, and also by increased borrowings for capital expansion in the Company's Accent Marketing Services, L.L.C. subsidiary ("Accent").

Goodwill Charges

Whenever possible, the Company has structured its acquisitions in such a way to ensure the income tax deductibility of its goodwill acquired. In 2000, goodwill amortization climbed to $4.2 million, before income tax benefits, from $1.8 million in 1999, driven by both 2000 acquisitions and the full year impact of 1999 acquisitions.

Income Tax Expense

Maxxcom's effective tax rate for the current year on income before goodwill charges was 35% as compared to 43% in 1999. This reduction stemmed from the favourable change in geographic mix of income from the operating subsidiaries and from a more efficient capital structure that was implemented during 2000.

Net Income

Net income climbed 58% for the year from $7.9 million to $12.5 million. This exceptional performance is the net result of the line items discussed above.

Fully diluted earnings per share before goodwill charges increased 58% to $0.63 per share from $0.40 in 1999, while fully diluted earnings per share rose 52% to $0.50 from $0.33 in 1999.

Foreign Exchange and Interest Rate Risk

The Company has endeavoured to borrow funds in the currency in which the funds will be utilized and the cash flow to service this indebtedness will be generated, mitigating the foreign exchange exposure. As a result, a significant component of the Company's long-term debt is denominated in U.S. dollars. Also, it is the intention of the Company to enter into interest rate hedging arrangements during the course of 2001 to fix the interest rates applicable to the majority of its long-term debt facilities.

Liquidity and Capital Resources

Cash and cash equivalents marginally increased from $29.0 million in 1999 to $29.5 million at December 31, 2000. However, there were significant movements in cash during the year as outlined below.

Cash flow from operations, excluding the effects of changes in non-cash working capital, produced a dramatic upward swing of 79% to $23.2 million for the year ended December 31, 2000, up from $13.0 million for the same period in 1999. This growth, at a rate slightly higher than that of gross income, reflects the increasing significance of non-cash component charges to earnings, most notably goodwill amortization. Funds reinvested in non-cash working capital were the result of growth of our operating businesses generating increased receivables and unbilled work in progress at December 31, 2000.

Investing activities consumed $62.4 million of cash during the current year, up from $58.0 million for the same period in 1999. Investing activities in 2000 primarily related to initial payments for acquisitions in 2000 and deferred purchase price payments relating to acquisitions in 2000 and prior years. Non-cash consideration of $19.8 million, which resulted from the issue of shares as consideration for acquisitions completed in 2000 and prior years, was not reflected in the statement of cash flows for the year ended December 31, 2000. Capital expenditures, most significantly driven by the development of customer service centres in our Accent operation, increased $4.9 million to $9.6 million for the year 2000. Increases in deferred charges, which related to costs incurred to establish the Company's revolving term credit facility, were the primary reason for the increased expenditures in other assets. The Company expects to spend approximately $7.0 million in capital expenditures during 2001 funded by both operating cash flows and, to a lesser extent, new indebtedness.

Financing activities contributed $46.5 million in 2000. The establishment of the Company's revolving term credit facility was a key source of these funds, representing approximately $44.0 million. This new four-year facility provides for an aggregate maximum borrowing of up to $80 million. The facility is secured by a general security agreement, a pledge of the Company's shares of subsidiaries and an assignment of intercompany debt. The Company's initial public offering, completed in March 2000, generated net proceeds from common share issuance of $55.4 million, the majority of which was used to repay Maxxcom's parent company, MDC, for its contribution of operations as a result of the Reorganization.

The Company's subsidiaries are, as a group, self-financing and produce excess operating cash flows that can be transferred to shareholders without restriction. The Company's current ratio at December 31, 2000 reflects the accrual of $44.4 million related to deferred purchase price obligations discussed below. This is expected to be funded to a large degree through the use of the Company's long-term debt facility during the first quarter of 2001 and relates to the financing of goodwill, a long-term asset. The Company does not currently anticipate paying dividends in the foreseeable future. The Company's current intention is to reinvest its earnings to finance its long-term growth.

Although additional capital is not typically required to fund working capital requirements, it is required by the Company to facilitate the Company's growth through acquisition. A significant component of the Company's growth objective is therefore dependent on the availability of debt and/or equity capital and the timing of the Company's access to these. The Company will require access to additional capital to maintain the rate of acquisition achieved in 2000 and is actively pursuing alternative sources.

Acquisitions of businesses by the Company typically include commitments to contingent deferred purchase obligations and put rights by minority shareholders. Deferred purchase price obligations are generally payable annually over a three-year period following the acquisition date and are contingent upon the acquired businesses satisfying certain financial operating criteria. At December 31, 2000, approximately $44.4 million of such deferred purchase price obligations were earned and reflected in accounts payable and accrued liabilities. Of this, approximately $43.0 million will be funded during the first quarter of 2001 from operating funds and indebtedness, with the balance settled through the issuance of Maxxcom's common shares to the vendor. Should the current level of earnings be maintained by the currently owned companies, additional consideration of approximately $28.0 million and $32.0 million would be earned at December 31, 2001 and 2002, respectively. The Company expects to fund these obligations through the use of operating funds and additional capital. Put rights held by certain minority shareholders are not exercisable until 2003, except under specific situations, and are subject to specified valuation formulas and certain conditions being satisfied.

In February 2001, the Company announced the establishment of a normal course issuer bid through the facilities of The Toronto Stock Exchange. Under this bid, the Company, subject to receipt of all necessary approvals, is authorized to purchase up to 1,284,900 of its publicly traded common shares during the period ending February 22, 2002. Purchases of common shares under this program will be primarily funded from operating cash flow. The actual number of shares purchased and the timing of those purchases is subject to several factors and will be determined by the management of Maxxcom.

Risks and Uncertainties

Competition

The marketing communications industry is highly competitive. The Company has competition in all major markets in which it does business from competitors that range from large multinationals to small and mid-size agencies. The Company must compete with these companies, firms and agencies in order to maintain existing client relationships and to obtain new clients and assignments. Competitive factors include creative capabilities and reputation, management, personal relationships, quality and reliability of service and expertise in particular niche areas of the marketplace. Although the price of services may be a competitive factor in obtaining new clients, it is the results that are generated by marketing campaigns that are most relevant to a client.

Dependence on Key Personnel

As in any service business, the success of the Company has been in the past and is expected to continue to be dependent upon the leadership shown by a number of key executive and management personnel. If any of these key individuals leaves the Company, the relationships they have with the Company's clients could be lost. In addition, the ability of the Company to generate revenue is dependent upon the number and expertise of individuals it has to work on projects. The competition for experienced and able employees is, and is expected to continue to be, intense. As a result, if the Company fails to retain existing employees or hire new employees when necessary, the Company's business, financial condition and operating results could be materially and adversely affected.

Although certain members of senior management of Maxxcom operating companies have entered into employment contracts, non-competition and non-solicitation agreements and while members of senior management have entered into shareholder agreements under

which they may be subject to adverse consequences as shareholders if they leave their employment voluntarily, those agreements may not be sufficient.

Availability and Integration of Acquisition Targets

The Company's acquisition strategy depends on its ability to identify and acquire appropriate businesses. There can be no assurance that the Company will be able to identify suitable acquisition candidates or, if identified, negotiate the acquisition successfully. Failure by the Company to successfully implement its acquisition strategy will limit the Company's growth potential and negatively affect its results of operations.

Competition for acquisition candidates may result in fewer acquisition opportunities being available to the Company and under less advantageous acquisition terms. Further, many of the Company's competitors for such acquisitions are larger, better known companies with significantly greater resources than the Company. These circumstances may increase acquisition costs to levels beyond the Company's financial capability, or may make it necessary for the Company to raise additional funds through public or private financing. There can be no assurance that any necessary equity or debt financing, if available at all, will be on terms favourable to the Company.

Economic Uncertainty

The marketing communications industry is cyclical and is subject to the effects of economic downturns. The Company is also exposed to the risk of clients changing their business plans and/or reducing their marketing budgets, or poor performance by one of its agencies. As a result, the Company's business, financial condition or operating results may be affected in a materially adverse manner.

Consolidation of Accounts

Recently, large multinational organizations have shown a tendency towards consolidating their marketing communications providers so that one firm provides these services to all international locations. As a result, marketing communications providers may experience the loss of clients and/or client projects due to this. To the extent that Maxxcom may lose gross income as a result of this trend and is unsuccessful in replacing it, the Company's business, financial condition or operating results may be affected in a materially adverse manner.

Risk of Media Account Default

The Company incurs expenses on behalf of clients in order to secure a variety of media time and space for which it receives a fee. The difference between the gross cost of the media and the net revenue earned by the Company can be significant. While the Company takes many precautions against default on payment for these services (such as advance billing clients), and has historically had a very low incidence of default, it is still exposed to the risk of significant uncollectible receivables – as is common in this industry.

Exchange Rate Fluctuations

The Company derives a significant portion of its income from outside Canada and reports its results in Canadian dollars. As a result, significant fluctuations in exchange rates could have a material adverse affect on the Company's business, financial position and operating results.

Goodwill Valuation and Realization

The Company has acquired goodwill, net of amortization, of $185.9 million at December 31, 2000. This amount represents the cost of acquisitions over the fair value of net assets acquired, and in a service business, such as the businesses typically acquired by the Company, this is normally the most significant component of the purchase price. The Company monitors the underlying value in this asset; however, there is a risk that certain amounts could become permanently impaired, resulting in a material adverse effect on the Company's financial position and operating results.

New Accounting Pronouncements

Earnings per Share – The Canadian Institute of Chartered Accountants (the "CICA") has approved a new standard for accounting for earnings per share which brings Canadian practice in line with U.S. and international accounting standards. This pronouncement is effective for fiscal years commencing on or after January 1, 2001 and will be applied retroactively. Under the new standard, the most significant change is that the treasury stock method is to be used instead of the imputed earnings approach for determining the dilutive effect of warrants and options on earnings per share. The impact of this change on the Company is not expected to be material.

The following is a summary of certain financial information of the Company for each of the four quarters ending December 31, 2000 and 1999.

(in thousands of Canadian dollars, except per share amounts)

	First Quarter Ended March 31		Second Quarter Ended June 30		Third Quarter Ended September 30		Fourth Quarter Ended December 31	
	2000	1999	**2000**	1999	**2000**	1999	**2000**	1999
Gross income	**57,364**	24,622	**64,368**	40,878	**65,722**	36,809	**75,051**	47,177
Operating income before other charges	**9,691**	4,963	**11,522**	8,934	**11,462**	5,944	**13,347**	8,036
Income before goodwill charges	**3,358**	1,871	**4,026**	3,235	**3,849**	2,154	**4,632**	2,157
Net income for the period	**2,856**	1,624	**3,236**	2,905	**2,990**	1,772	**3,450**	1,629
Cash flow from operations	**5,110**	2,304	**5,877**	3,870	**5,937**	2,799	**6,279**	3,991
Earnings per share before goodwill charges								
Basic and fully diluted	**0.14**	0.08	**0.16**	0.14	**0.15**	0.09	**0.18**	0.09
Earnings per share Basic and fully diluted	**0.12**	0.07	**0.13**	0.12	**0.12**	0.07	**0.13**	0.07
Cash flow per share Fully diluted	**0.21**	0.10	**0.23**	0.16	**0.24**	0.12	**0.22**	0.17

The accompanying consolidated financial statements have been prepared by management and approved by the Board of Directors of the Company. Management is responsible for the preparation and presentation of these financial statements and all the financial information contained within this annual report within reasonable limits of materiality. The financial statements have been prepared in accordance with generally accepted accounting principles in Canada. In the preparation of these statements, estimates are sometimes necessary because a precise determination of certain assets and liabilities is dependent on future events. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying consolidated financial statements. The financial information throughout the text of this annual report is consistent with that in the financial statements.

To assist management in discharging these responsibilities, the Company maintains a system of internal control which is designed to provide reasonable assurance that its assets are safeguarded, that transactions are executed in accordance with management's authorization and that the financial records form a reliable base for the preparation of accurate and timely financial information.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards and applicable laws, and for the maintenance of proper standards of conduct in its activities.

BDO Dunwoody LLP, Chartered Accountants, are appointed by the shareholders and have audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards. Their report outlines the nature of their audit and expresses their opinion on the consolidated financial statements of the Company.

Annually, the Board of Directors appoints an Audit Committee composed of at least three directors who are not members of management. The Audit Committee meets periodically with management and the auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues. It is responsible for reviewing the annual and interim consolidated financial statements and the report of the auditors. The Audit Committee reports the results of such review to the Board and makes recommendations with respect to the appointment of the Company's auditors. In addition, the Board may refer to the Audit Committee on other matters and questions relating to the financial position of the Company and its affiliates.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and for approving the consolidated financial statements for presentation to shareholders.

Beverley Morden

President & Chief Executive Officer
February 9, 2001

Glenn Gibson

Executive Vice-President & Chief Financial Officer

To the Shareholders of Maxxcom Inc.

We have audited the consolidated balance sheets of Maxxcom Inc. as at December 31, 2000 and 1999 and the consolidated statements of operations, retained earnings/surplus and cash flows for each of the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2000 and 1999 and the results of its operations and its cash flows for each of the years then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

BDO Dunwoody LLP
Chartered Accountants

Toronto, Ontario
February 9, 2001

(in thousands of Canadian dollars)

December 31,	2000	1999
ASSETS		
Current		
Cash and cash equivalents	$ 29,493	$ 29,018
Accounts receivable (Note 2)	107,698	80,253
Prepaid expenses and sundry	3,212	1,316
	140,403	110,587
Capital and other assets (Note 3)	41,605	27,224
Goodwill (Note 4)	185,904	81,001
	$ 367,912	$ 218,812
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness	$ —	$ 398
Accounts payable and accrued liabilities	142,151	79,843
Income taxes payable	2,459	2,108
Deferred revenue	12,999	15,960
Current portion of long-term indebtedness (Note 5)	2,977	2,451
	160,586	100,760
Long-term indebtedness (Note 5)	54,873	10,529
Future/deferred income taxes	1,152	693
	216,611	111,982
Minority interest	6,468	6,012
	223,079	117,994
Shareholders' equity		
Share capital (Note 6)	130,342	—
Capital contribution	—	88,980
Cumulative translation adjustment (Note 7)	3,786	(4,143)
Retained earnings/surplus	10,705	15,981
	144,833	100,818
	$ 367,912	$ 218,812

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

On behalf of the Board:

Michael J.L. Kirby
Director

David R. Shaw
Director

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands of Canadian dollars, except per share amounts)

For the years ended December 31,	2000	1999
Gross billings	$ 605,030	$ 368,384
Direct costs	342,525	218,898
Gross income	262,505	149,486
Operating expenses	216,483	121,609
Operating income before other charges	46,022	27,877
Other charges		
Amortization	7,023	2,879
Interest, net	1,675	109
Minority interest (Note 8)	12,937	8,365
	21,635	11,353
Income before income taxes and goodwill charges	24,387	16,524
Income taxes (Note 9)	8,522	7,107
Income before goodwill charges	15,865	9,417
Goodwill charges, net of income taxes of $831 (1999 – $296)	3,333	1,487
Net income for the year	$ 12,532	$ 7,930
Earnings per share (Note 10)		
Income before goodwill charges		
Basic and fully diluted	$ 0.63	$ 0.40
Net income		
Basic and fully diluted	$ 0.50	$ 0.33

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS/SURPLUS

(in thousands of Canadian dollars)

For the years ended December 31,	2000	1999
Retained earnings/surplus, beginning of year	$ 15,981	$ 8,051
Allocation to share capital upon Reorganization (Note 6)	(17,808)	—
Net income for the year	12,532	7,930
Retained earnings/surplus, end of year	$ 10,705	$ 15,981

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

(in thousands of Canadian dollars)

For the years ended December 31,	2000	1999
Cash provided from (used in)		
Operating activities		
Net income for the year	$ 12,532	$ 7,930
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization	11,187	4,662
Other	(516)	372
	23,203	12,964
Changes in non-cash working capital	(9,583)	13,419
Cash flows from operating activities	13,620	26,383
Investing activities		
Investments and acquisitions	(48,714)	(51,791)
Capital asset additions	(9,557)	(4,706)
Increase in other assets	(4,167)	(1,530)
Cash flows used in investing activities	(62,438)	(58,027)
Financing activities		
Increase (decrease) in bank indebtedness	(398)	248
Repayment of long-term indebtedness	(3,260)	—
Issuance of long-term indebtedness	47,284	1,960
Proceeds from issuance of share capital	55,407	—
Net contributions from (distributions to) parent	(52,500)	44,446
Cash flows from financing activities	46,533	46,654
Foreign exchange gain (loss) on cash held in foreign currency	2,760	(1,039)
Increase in cash and equivalents during the year	475	13,971
Cash and cash equivalents, beginning of year	29,018	15,047
Cash and cash equivalents, end of year	$ 29,493	$ 29,018

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

December 31, 2000 and 1999 *(in thousands of Canadian dollars)*

Nature of Business

Maxxcom Inc. ("Maxxcom" or "the Company") is incorporated under the laws of Ontario. Maxxcom is a full-service marketing communications organization based in Canada. The Company, through its subsidiaries, provides a comprehensive range of communication services in Canada, the United States, and the United Kingdom. Marketing communication services include advertising, direct marketing, database management, sales promotion, corporate communications, research and consulting, branding and corporate identity and interactive marketing.

Basis of Presentation

These financial statements include the consolidated balance sheets, consolidated statements of operations, consolidated statements of retained earnings/surplus and consolidated statements of cash flows of substantially all of the companies previously comprising the Communications and Marketing Services division of MDC Corporation Inc. ("MDC"). The ownership of these companies was transferred to Maxxcom under Section 85 of the Canadian Income Tax Act, at their respective income tax costs ("Reorganization"). In exchange for the net assets transferred, the Company issued special shares and indebtedness of $90,000. Proceeds from the initial public offering were used to repay $52,500 of the indebtedness with the balance of indebtedness and special shares converted into common shares.

The carrying amounts of the assets and liabilities recorded in these financial statements were transferred using "continuity-of-interests" accounting, which reflects the same carrying amounts as in the predecessor company financial statements. The Company's other subsidiaries are included in these consolidated financial statements from the date of acquisition using the purchase method of accounting. All significant intercompany balances and transactions have been eliminated on consolidation.

Investments

Investments in which the Company does not have control or have significant influence are carried at the lower of cost or market.

Capital Assets

Capital assets are recorded at cost. Amortization is provided as follows:

Buildings	– 4% declining balance
Computer, furniture and fixtures	– 20–50% declining balance
Leasehold improvements	– Straight-line over term of the lease

Deferred Charges

The Company capitalizes direct costs related to the start-up of operations until the commencement of commercial operations, at which time all related costs are amortized on a straight-line basis over their estimated useful life.

Deferred Finance Costs

Deferred finance costs are amortized over the term of the related indebtedness.

Foreign Currency Translation

With the exception of the Company's foreign subsidiaries, foreign currency assets and liabilities carried at current values are translated into Canadian dollars using the rate of exchange in effect at the year end; other foreign currency assets and liabilities are translated using the rates of exchange in effect at the dates of the transaction; revenue and expense items are translated at the average monthly rate of exchange for the year, except for amortization of capital and other assets which is translated at the historical rates of the related assets.

The assets and liabilities of foreign subsidiaries' self-sustaining operations are translated using the rate of exchange in effect at the year end and revenues and expenses are translated at the average monthly rate during the year.

The unrealized foreign exchange gains and losses on translation of the accounts of foreign subsidiaries are reflected as a separate component of shareholders' equity.

The unrealized foreign exchange gains and losses relating to translation of long-term monetary assets and liabilities of a fixed term are deferred and amortized over the remaining life of the related term. All other foreign exchange gains and losses are included in net income or loss in the current period.

Goodwill

Goodwill represents the price paid for acquisitions in excess of the fair market value of net tangible assets acquired. The Company amortizes goodwill on a straight-line basis over its estimated life ranging from 20 to 40 years. The carrying value of goodwill is assessed annually by reviewing the estimated future undiscounted cash flows of the underlying businesses of the Company. Any permanent impairment in the carrying value of goodwill is expensed in the period in which the assessment is made.

(in thousands of Canadian dollars)

Future Income Taxes
In the current year, the Company adopted the liability method of tax allocation for accounting for income taxes, as provided for in the new recommendations of The Canadian Institute of Chartered Accountants. Under the liability method of tax allocation, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Prior to the adoption of the new recommendations, income tax expense was determined using the deferral method of tax allocation. Under this method, future tax expense was based on items of income and expense that were reported in different years in the financial statements and tax returns and measured at the tax rate in effect in the year the difference originated.

There was no material impact in adopting these recommendations.

Revenue Recognition
Revenue is recognized using the percentage of completion method with respect to contracts having a specified time period for the performance of the service. Work in progress is estimated as the portion of revenue which has been earned but not billed. Customer billings in advance are recorded as deferred revenue. Potential losses, if any, on work in progress are provided for as soon as the possibility of a loss becomes apparent.

All other revenue is recorded when the service is completed and/or the product is delivered.

Financial Instruments
The Company's financial instruments consist of cash and cash equivalents, accounts receivable, bank indebtedness, accounts payable and accrued liabilities and long-term indebtedness.

Credit Risk
The Company's financial assets that are exposed to credit risk consist primarily of cash and cash equivalents and accounts receivable. Concentrations of credit risk with respect to accounts receivable are limited due to the number of customers serviced by the Company and their generally short payment terms.

Fair Value
The fair value of the Company's long-term indebtedness based on current rates for indebtness with similar terms and maturities, is not materially different from its carrying value. The carrying value of other financial instruments, cash and cash equivalents, accounts receivable, bank indebtedness and accounts payable and accrued liabilities approximates fair value due to their short-term maturities.

Foreign Exchange Risk
The Company operates in North America and the United Kingdom, which gives rise to a risk that its earnings, cash flows and shareholders' equity may be impacted by fluctuations in foreign exchange in two principal foreign currencies. The impact on earnings is limited in part as exchange gains or losses arising on the translation of the accounts of all foreign subsidiaries are deferred as a separate component of shareholders' equity. To limit foreign exchange risk, the Company has borrowed funds under its U.S. revolving term credit facility to hedge its investment in its U.S. operations. The Company has not entered into foreign exchange contracts.

Cash and Cash Equivalents
The Company considers all cash and highly liquid investments purchased with an initial maturity of three months or less to be cash or cash equivalents.

The Company maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risks on cash and cash equivalents.

Stock Based Compensation
The Company has a stock based compensation plan (Note 6). No compensation expense is recognized for the plan when stock options are issued to directors, officers, employees or consultants of the Company. Any consideration paid by such individuals to the Company on exercise of the stock options or purchase of stock is credited to share capital.

Accounting Estimates
The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

December 31, 2000 and 1999 *(in thousands of Canadian dollars, except per share amounts)*

1 Acquisitions

The Company has acquired the following marketing communications services companies. The business acquisitions were accounted for using the purchase method and consolidated from the respective effective date of acquisition.

2000 Acquisitions

Effective March 1, 2000, the Company acquired 100% of Fiola TMC, Inc., located in Minneapolis, Minnesota.

Effective March 23, 2000, the Company acquired additional shares in various operating subsidiary companies in exchange for 1,152,509 common shares.

Effective April 1, 2000, the Company acquired 80% of Chicago, Illinois-based TargetCom LLC, 50.1% of San Francisco, California-based Bang!Zoom LLC and 50.1% of Chicago, Illinois and St. Louis, Missouri-based E-Telligence LLC.

Effective April 30, 2000, the Company acquired 100% of Wernimont & Paullus Inc., located in Cedar Rapids, Iowa.

Effective July 31, 2000, the Company acquired 100% of Mackenzie Marketing, Inc., located in Minneapolis, Minnesota.

Effective August 1, 2000, the Company acquired 80% of Pavlika Chinnici Direct, LLC, located in New York, New York.

Effective September 1, 2000, the Company acquired 60% of Interfocus Network Limited, located in London, England.

Effective September 1, 2000, the Company acquired 100% of Bratskeir & Company, Inc., located in New York, New York.

1999 Acquisitions

Effective April 1, 1999, the Company acquired 80% of Colle & McVoy, Inc., located in Minneapolis, Minnesota.

Effective October 1, 1999, the Company acquired Allard-Associates, Inc. and amalgamated it with LBJ.FRB Communications Inc. to form Allard Johnson Communications Inc. The Company owns 50.1% of Allard Johnson Communications Inc., which is located in Toronto and Montreal, Canada.

Effective November 1, 1999, the Company acquired 50.1% of Accent Marketing Services, LLC, located in Louisville, Kentucky.

Effective November 30, 1999, the Company acquired 70% of Fletcher Martin Associates LLC, located in Atlanta, Georgia.

December 31, 2000 and 1999 (in thousands of Canadian dollars, except per share amounts)

1 **Acquisitions** (cont'd)

The assets acquired and consideration given are as follows:

		2000		1999
Assets acquired, at fair value				
Assets	$	**29,592**	$	74,972
Liabilities		**(22,118)**		(61,528)
Minority interest		**(1,670)**		(4,307)
Net assets acquired, at fair value		**5,804**		9,137
Goodwill		**109,067**		42,279
	$	**114,871**	$	51,416
Consideration				
Cash and promissory notes	$	**45,976**	$	39,275
Common shares issued in exchange for additional ownership of various operating subsidiaries		**12,394**		—
Common shares issued on acquisitions		**7,382**		—
Additional consideration – current year acquisitions		**24,261**		3,906
– prior year acquisitions		**20,097**		4,435
Other consideration and acquisition costs		**4,761**		3,800
	$	**114,871**	$	51,416

In addition to the consideration paid by the Company in respect of its acquisitions, additional consideration may be payable based on the achievement of certain threshold levels of earnings. Based on current year earnings, $44,358 (1999 – $8,341) of additional consideration was accrued relating to current and prior year acquisitions and is reflected in accounts payable and accrued liabilities. Should the current level of earnings be maintained by these acquired companies, the following approximate additional consideration would be earned in each of the following years:

2001	$	28,000
2002	$	32,000

2 **Accounts Receivable**

		2000		1999
Trade receivables	$	**95,607**	$	71,359
Unbilled work in progress		**12,091**		8,894
	$	**107,698**	$	80,253

3 Capital and Other Assets

	2000 Cost	2000 Accumulated Amortization	1999 Cost	1999 Accumulated Amortization
(a) Capital assets				
Land	$ 317	$ —	$ 313	$ —
Buildings	1,266	243	1,252	209
Computer, furniture and fixtures	41,196	22,353	29,172	15,159
Leasehold improvements	10,165	5,338	6,138	3,128
	52,944	27,934	36,875	18,496
(b) Other assets				
Deferred charges	2,992	831	2,886	513
Notes receivable	7,063	—	6,471	—
Future income taxes	3,742	—	—	—
Deferred financing costs	3,628	—	—	—
Portfolio investment	1	—	1	—
	17,426	831	9,358	513
	70,370	28,765	46,233	19,009
Cost less accumulated amortization		$ 41,605		$ 27,224

Included in capital assets are assets under capital lease with a cost of $3,946 (1999 – $2,254) and accumulated amortization of $1,238 (1999 – $551).

Notes receivable include amounts owing from employees, officers and directors of the Company and its subsidiaries. The secured notes bear interest at rates ranging from 0% to prime plus ½%, with no specific terms of repayment. Notes receivable include $931 owing on account of share purchase loans and are secured by shares with a market value of $860 as at December 31, 2000.

Portfolio investment represents a 19.4% effective interest in CyberSight, LLC, an interactive professional services company based in Portland, Oregon.

4 Goodwill

	2000	1999
Cost	$ 194,835	$ 85,768
Accumulated amortization	8,931	4,767
	$ 185,904	$ 81,001

December 31, 2000 and 1999 (in thousands of Canadian dollars, except per share amounts)

5 Long-term Indebtedness

		2000		1999
Credit facility, includes US$28,300, due March 2005	$	**44,436**	$	—
8.25% bank loan, includes US$3,750 (1999 – US$2,996), due May 2002		**5,623**		4,321
Notes payable, interest at 3.53% to 8.70%, includes US$1,152 (1999 – US$1,614), due between January 2001 and February 2004		**3,113**		2,893
Term bank notes, interest at 8.90%, includes US$749 (1999 – US$1,190), due December 2001		**1,123**		2,392
Mortgages payable, interest at 7.40% to 7.65%, includes US$Nil (1999 – $349), due March 2002		**328**		910
Obligations under capital leases, includes US$1,042 (1999 – US$996), due April 2004		**1,785**		1,691
Other		**1,442**		773
		57,850		12,980
Less: current portion, includes US$1,548 (1999 – US$1,455)		**2,977**		2,451
	$	**54,873**	$	10,529

The credit facility provides for an aggregate maximum borrowing under the facility of up to $80,000 bearing interest at rates which depend on certain of the Company's financial ratios and which vary in accordance with borrowing rates in both Canada and the United States. The credit facility is secured by a general security agreement, a pledge of shares of subsidiaries and an assignment of intercompany debt.

The 8.25% bank loan is secured by a general security agreement with a specific subsidiary.

The term bank notes, mortgages, and capital leases are secured by specific equipment, land and building.

The approximate principal portion of long-term indebtedness repayable in each of the five years subsequent to December 31, 2000 is as follows:

2001	$	2,977
2002		8,071
2003		876
2004		9,831
2005		35,855
Thereafter		240
	$	**57,850**

Interest paid during the year was $2,677 (1999 – $382).

6 Share Capital

The authorized share capital of the company is as follows:

An unlimited number of participating, voting special shares, convertible at the option of the holder into common shares. 300 special shares were issued to MDC upon incorporation and transfer of assets to the Company. These special shares were converted into common shares following the Reorganization. On March 16, 2000, the Company amended its authorized share capital to delete the voting special shares.

An unlimited number of common shares.

An unlimited number of non-voting preference shares issuable in series.

Changes to the Company's issued and outstanding common share capital are as follows:

	Number of Shares		Amount
Balance, December 31,1999	—	$	—
Conversion of special shares and indebtedness upon Reorganization, including allocation from retained earnings/surplus	17,874,001		52,391
Exchange for additional ownership of various operating subsidiaries	1,152,509		12,394
Initial public offering	5,800,000		62,350
Issued on purchase of acquisitions	871,513		7,382
Share issue costs, net of income tax recovery of $2,768	—		(4,175)
Balance, December 31, 2000	25,698,023	$	130,342

The Company has a share option incentive plan, which may grant up to 3,702,378 options to employees, officers, directors and consultants of the Company and its subsidiaries. All options granted are for a term of no more than ten years from the date of the grant and vest 20% in each of the first two years with the balance vesting in the third.

Share option transactions during the year are summarized as follows:

	Options Outstanding		Weighted Average Exercise Price	Options Exercisable
Outstanding, December 31, 1999	—	$	—	—
Granted	2,005,948		10.62	—
Cancelled	(66,203)		10.41	—
Outstanding, December 31, 2000	1,939,745	$	10.62	—

7 Cumulative Translation Adjustment

This adjustment represents the net unrealized foreign currency translation gain (loss) on the Company's net investment in self-sustaining foreign operations in the United States and the United Kingdom.

December 31, 2000 and 1999 *(in thousands of Canadian dollars, except per share amounts)*

8 Minority Interest

These amounts represent payments to minority shareholders of subsidiary companies pursuant to their respective shareholder agreements and adjustments to the minority interest position.

9 Income Taxes

The Company's provision for income taxes is comprised as follows:

		2000		1999
Current	$	8,206	$	6,210
Future/deferred		(515)		601
	$	7,691	$	6,811

Reconciliation to statutory rates is as follows:

		2000		1999
Provision for income taxes based on combined basic Canadian federal and provincial tax rate of 44.0% (1999 – 44.3%)	$	8,898	$	6,530
Increase (decrease) in income taxes resulting from permanent differences		(721)		501
Foreign rate differentials		(486)		(220)
	$	7,691	$	6,811

Disclosed on the Statements of Operations as follows:

		2000		1999
Income taxes	$	8,522	$	7,107
Recovery of income taxes related to goodwill charges		(831)		(296)
	$	7,691	$	6,811

The tax effects of significant items comprising the Company's future tax assets and liabilities are as follows:

		2000
Future tax assets		
Operating loss carryforwards	$	1,292
Differences between book and tax bases of capital assets and goodwill		2,450
	$	3,742
Future tax liabilities		
Differences between book and tax bases of capital assets and goodwill	$	(1,152)
	$	(1,152)

Income taxes paid in cash were $6,511 in fiscal 2000 (1999 – $5,529).

At December 31, 2000, the Company has income tax loss carryforwards of approximately $2,940 which relate to certain subsidiaries, the tax benefits of which have been recognized in these financial statements. The tax loss carryforwards expire between 2004 and 2007.

10 Earnings Per Share

Basic and fully diluted earnings per share have been calculated using the weighted average number of common shares outstanding during the year. For purposes of determining fully diluted earnings per share only the rights to acquire common shares that would be dilutive to earnings have been considered.

11 Commitments and Contingencies

The Company has leased real estate and equipment at the following approximate annual base rental:

2001	$	11,000
2002		10,600
2003		10,200
2004		9,600
2005		9,200
Thereafter		19,800

The Company, under agreements with respect to the terms of shareholder agreements, may be required to acquire part or all of the minority shareholdings at an amount based on the earnings of the respective subsidiary companies.

As at December 31, 2000, there are claims against the Company in varying amounts. It is not possible to determine the amounts that may ultimately be assessed against the Company with respect to these claims; however, management believes that any such amounts would not have a material impact on the business or financial position of the Company.

12 Supplementary Information

The consolidated statements of cash flows for the year ended December 31, 2000 excludes the following non-cash transactions:

		2000
Issuance of promissory notes payable on Reorganization	$	**90,000**
Conversion of note payable to common shares		**37,500**
Shares issued in exchange for additional ownership of various operating subsidiaries		**12,394**
Common shares issued on acquisitions		**7,382**
Tax benefit of share issue costs credited to share capital		**2,768**

December 31, 2000 and 1999 (in thousands of Canadian dollars, except per share amounts)

13 **Segmented Information**

The Company provides marketing and communication services in three countries. It operates as a global business and has no distinct operating segments.

The following table shows certain information with respect to geographic segmentation:

				2000
	Canada	**United States**	**United Kingdom**	**Total**
Gross income	**$ 70,161**	**$ 183,655**	**$ 8,689**	**$ 262,505**
Capital assets and goodwill	**$ 40,049**	**$ 158,006**	**$ 12,859**	**$ 210,914**

				1999
	Canada	United States	United Kingdom	Total
Gross income	$ 66,710	$ 82,776	$ —	$ 149,486
Capital assets and goodwill	$ 25,069	$ 74,311	$ —	$ 99,380

14 **Related Party Transactions**

	2000	1999
Interest and advisory fees charged by MDC and affiliates	**$ 1,637**	$ —
Sales of services to MDC and affiliates	**1,948**	444
Purchase of services from MDC and affiliates	**181**	35

The Company is party to a financial advisory agreement with MDC that provides for the payment by the Company of a fee in exchange for financial advisory and merger and acquisition services to the Company. Subject to reduction in certain circumstances, the fee relating to any merger, acquisition or disposition completed by the Company is based on 1.5% of the consideration paid or received by the Company. Fees for other services provided by MDC are negotiated on a case by case basis.

15 **Subsequent Events**

Subsequent to the year end, the Company acquired 49% of Crispin Porter + Bogusky LLC located in Miami, Florida for cash and share consideration of approximately $9,700.

16 **Comparative Figures**

Certain comparative figures have been reclassified to conform to the current year's presentation.

DIRECTOR PROFILES

Miles S. Nadal is Chairman of the Board of Maxxcom Inc. Mr. Nadal is Chairman of the Board and President, Chief Executive Officer and founder of MDC Corporation Inc. Mr. Nadal is active in supporting various business and community organizations including Junior Achievement of Canada, Young Entrepreneurs, The Young Presidents Association and The Schulich School of Business.

John P. Curtin, Jr., a Director since 1999, is a Managing Director of The Goldman Sachs Group, Inc. in New York, New York and was the Chairman of Goldman Sachs Canada from 1995 to 1999. Mr. Curtin is a member of the board of directors of Cadillac Fairview Corporation and Brascan Corporation. He is a former Governor of The Toronto Stock Exchange and served as a Trustee of Royal St. George's College in Toronto.

Lloyd S.D. Fogler, Q.C., a Director since 1999, is a senior partner in the law firm of Fogler, Rubinoff LLP. Mr. Fogler serves on the boards of several companies, including MDC Corporation Inc., Brampton Brick Limited and First International Asset Management Inc. Mr. Fogler is Chairman Emeritus of Mount Sinai Hospital, Chairman of the Mount Sinai Hospital Foundation of Toronto and a director of the Canadian Opera Company.

Albert Gnat, Q.C., a Director since 1999, is a partner in the law firm of Lang Michener, Barristers & Solicitors. Mr. Gnat serves as a director of several Canadian and international organizations, including MDC Corporation Inc.

Michael J.L. Kirby, a Director since 1999, is a member of the Senate of Canada and has had a distinguished career in education, civil service and business. Senator Kirby is also a director of Extendicare Inc., The Goldfarb Corporation, CPI Plastics Group Limited and The Bank of Nova Scotia. He holds a B.Sc. and an M.A. in Mathematics, a Ph.D. in Applied Mathematics from Northwestern University and an honorary Doctor of Laws from Dalhousie University.

Beverley A. Morden is President and Chief Executive Officer of Maxxcom Inc. and has been a Director since 1999. Prior to joining Maxxcom, Ms. Morden was President and Chief Executive Officer of Southex Exhibitions Inc. (one of the largest trade and consumer show companies in North America) for five years.

Stephen M. Pustil, a Director since 1999, is President of Penwest Development Corporation Ltd., a real estate development and construction firm that he established in 1972. Mr. Pustil, a chartered accountant, also serves as Vice-Chairman and director of MDC Corporation Inc., as Vice-Chairman of the Board of Mount Sinai Hospital of Toronto, as a director of First International Asset Management Inc. and as director of Equivest Capital Corporation.

David R. Shaw, a Director since 1999, is President of Yarra Ridge Investments. Mr. Shaw was formerly the President and Chief Executive Officer of Pepsi Cola Canada Beverages from 1996 to 1999. He serves as Chairman of the North York General Hospital Foundation and is also a member of the International Advisory Board of The Schulich School of Business.

David M. Veit, a Director since 1999, is a senior advisor to Bain Capital, Inc. and Chairman and Chief Executive Officer of Bentley's Luggage Corporation. Mr. Veit was the Chief Executive Officer of Jostens Learning Corporation from May 1998 to July 1999. Prior thereto, he was the President of Pearson Inc. and an Executive Director of Pearson plc, an international media company, where he was the Director of the Entertainment Division. Mr. Veit is also a member of the Financial Times International Advisory Board and a director of Simmons & Company International.

COMMITTEES OF THE BOARD

The Audit Committee

Chairman
Stephen M. Pustil

Members
Michael J.L. Kirby
David R. Shaw

Responsibilities
The Audit Committee is responsible to review all financial statements, annual and interim, intended for circulation among shareholders and to report upon these to the Board. In addition, the Board of Directors may refer to the Audit Committee on other matters and questions relating to the financial position of the Company and its affiliates. The Audit Committee is composed of three unrelated directors.

The Corporate Governance Committee

Chairman
David M. Veit

Members
John P. Curtin, Jr.
Michael J.L. Kirby
Stephen M. Pustil
David R. Shaw

Responsibilities
The Corporate Governance Committee is composed of five members, the majority of whom are independent and unrelated directors to Maxxcom and to MDC Corporation Inc. The committee is responsible for reviewing and making recommendations to the Board with respect to developments in the area of corporate governance and the practices of the Board. The committee is also responsible for approving and monitoring all related party transactions of the Company, including any arrangements between Maxxcom and MDC Corporation Inc.

The Compensation Committee

Chairman
John P. Curtin, Jr.

Members
Miles S. Nadal
David M. Veit

Responsibilities
The Compensation Committee is responsible for evaluating, reviewing and supervising the procedures of the Company with regard to human resources, for assessing the performance of the officers of the Company, reviewing annually the remuneration of the directors and for recommending to the Board general remuneration policies regarding salaries, bonuses and other forms of remuneration for the directors and executive officers of the Company. The Compensation Committee is composed of three directors, the majority of whom are unrelated directors.

Allard Johnson Communications Inc.
Allard Johnson, an integrated agency, provides advertising, sales promotion, direct marketing, public relations and interactive services to clients such as a Canadian Chartered Bank, Dairy Farmers of Canada, Pfizer Canada and Wal-Mart Canada.

10 Lower Spadina Avenue, Suite 400
Toronto, Ontario M5V 2Z2
Phone: (416) 260-7000
Fax: (416) 260-7100
www.allard-johnson.com
President & CEO: Terry Johnson

Ambrose Carr Linton Carroll Inc.
ACLC develops integrated communications programs involving advertising, sales promotion, collateral, point-of-sale and direct marketing for a broad range of high profile clients. ACLC's clients include Honda/Acura, Swiss Chalet, Harvey's and Charles Schwab Canada.

939 Eglinton Avenue East, Suite 203
Toronto, Ontario M4G 4E8
Phone: (416) 425-8200
Fax: (416) 425-5962
www.aclc.ca
President & CEO: Esmé Carroll

Colle & McVoy, Inc.
Colle & McVoy, an integrated agency, is nationally recognized for using transformational thinking and integration to drive business growth and success for a select group of clients whose brands deserve greater attention in the marketplace. Those clients include Pfizer, 3M, Purina, Syngenta, Weather Shield and Winnebago.

8500 Normandale Lake Blvd., Suite 2400
Minneapolis, Minnesota 55437-3809
Phone: (612) 897-7505
Fax: (612) 897-7583
www.collemcvoy.com
President & COO: Phil Johnson

Mackenzie Marketing, Inc.
Mackenzie specializes in providing strategic marketing solutions to Fortune 500 companies, notably American Express and Citibank, as well as six of the country's Top 10 financial services firms. Mackenzie's client base includes such companies as Aegon USA, Bank One Corporation, Chase Manhattan Bank, Deluxe Corporation and Wells Fargo, among others.

505 N. Hwy 169, Suite 350
Minneapolis, MN 55441
Phone: (763) 417-7300
Fax: (763) 417-7301
www.mackenziemarketing.com
President: Andrew Mackenzie

Cormark MacPhee Communication Solutions (Canada) Inc.
Cormark MacPhee is an integrated agency which specializes in the travel, hospitality, financial, agricultural, pharmaceutical and technology sectors. Clients include Syngenta, Stihl Canada, TD Bank and BiWay Stores.

369 York Street, Suite 2A
London, Ontario N6B 3R4
Phone: (519) 673-1380
Fax: (519) 673-4846
www.cormark.com
President: David Edward

Campbell & Partners Communications Inc.
Campbell & Partners provides personalized advertising services to clients such as Keg Restaurants, Sobeys and Vogue Bra.

43 Front Street East, 4th Floor
Toronto, Ontario M5E 1B3
Phone: (416) 868-9790
Fax: (416) 868-9828
President: Barry Campbell

Fletcher Martin Ewing LLC
Fletcher Martin Ewing is an integrated communications company whose services include strategic consulting, advertising, sales promotion and public relations. Clients include Arby's, the *Atlanta Journal Constitution*, Mrs. Winners and Cellular South.

18 International Boulevard
Atlanta, Georgia 30303
Phone: (404) 221-1188
Fax: (404) 222-9001
www.fmeonline.com
President & CEO: Andy Fletcher

Interfocus Network Limited
Interfocus provides U.K. and international clients such as Eurobet.com, Lloyds TSB, Microsoft, Eddie Bauer, Gillette and Seiko with a broad mix of marketing communication solutions through services such as brand and marketing consulting, advertising, design, sales promotion, direct marketing, new media and sponsorship.

Lancer Square
London W84ES
Phone: (011-44) 207-376-9000
Fax: (011-44) 207-376-9090
www.interfocus.co.uk
Chairman & CEO: Matthew Hooper

Margeotes|Fertitta + Partners LLC
Margeotes|Fertitta + Partners is a full service integrated agency and services some of the world's leading brand names in packaged goods, financial services, on-line services and entertainment. Top clients include Benkiser Consumer Products, Godiva Chocolatier, The McGraw-Hill Companies, National Football League and Triton PCS.

411 Lafayette Street
New York, New York 10003
Phone: (212) 979-6600
Fax: (212) 979-5490
www.margeotes.com
President & CEO: George Fertitta

Bratskeir & Company, Inc.
Bratskeir is a public relations firm servicing a wide variety of industries. Bratskeir's clients include Chiquita Banana, Hasbro Toys, Bristol-Meyers Squibb, Con-Agra, Phillips Petroleum, TD Waterhouse, Inc. and 1-800-Flowers.com, among others.

419 Park Avenue South
New York, New York 10016
Phone: (212) 679-2233
Fax: (212) 779-1974
www.bratskeir.com
President: Stan Bratskeir

Pavlika Chinnici Direct, LLC
Pavlika Chinnici is a full-service direct marketing agency servicing a wide variety of industries. Pavlika Chinnici's clients include Chase Manhattan Bank, Consumer Reports, Cyberpix, Choicelinx, Net2Phone/Y@P, Sotheby's and NFL SUNDAY TICKET among others.

411 Lafayette Street
New York, New York 10003
Phone: (212) 260-3736
Fax: (212) 260-3710
www.pavlikachinnici.com
CEO: Michael J. Chinnici

Direct Marketing/Database Management

Accent Marketing Services, L.L.C.
Accent is a comprehensive customer management company that designs, develops and implements complete database marketing campaigns to acquire, retain and develop its clients' customers. Accent focuses on three core product and service offerings: continuous database marketing campaigns, inbound customer service programs, and graphic design expertise. Clients include Sprint, Sears, Amana, Humana and Maytag.

325 W. Main Street, Suite 1400
Louisville, Kentucky 40202
Phone: (502) 540-5000
Fax: (502) 540-5574
www.accentonline.com
CEO: Tom Hansen

TargetCom LLC
TargetCom is known for its award-winning, customer-centred relationship marketing strength. TargetCom established two new, complementary divisions: bang!zoom, a San Francisco and Chicago-based marketing consultancy, and etelligence, a Chicago and St. Louis-based agency dedicated to relationship marketing via the Internet. Clients of the combined entities include Bally Total Fitness, Chicago Tribune, 3Com, Harley-Davidson, Lucent, Official Airline Guide, OnePoint Communications, Pier One, Sears, U.S. Robotics, Telenesis and The Associates, among many others.

444 North Michigan Avenue, 27th Floor
Chicago, IL 60611
Phone: (312) 822-1100
Fax: (312) 822-9628
www.targetcom.com
President & CEO: Jay Miller

Bang!Zoom LLC
2600 18th Street, Suite 22
San Francisco, CA 94110-2111
Phone: (415) 216-2100
Fax: (415) 216-2157
www.bangzoom.net
President: Patrick Buchanan

E-Telligence LLC
12400 Olive Boulevard, Suite 555
Saint Louis, MO 63141
Phone: (314) 845-0300
www.etelligence.net
President: Patrick Condon

Sales Promotion

Accumark Promotions Group Inc.
Accumark operates in the specialized communications field of sales promotion. Their primary services include strategic consulting, trade, sales force and consumer promotional programs, in store merchandising and point of sale material, food service marketing and event marketing. Their clients include Kraft, Warner-Lambert and Campbell Soup Company.

240 Duncan Mills Road, Suite 101
North York, Ontario M3B 1Z4
Phone: (416) 446-7758
Fax: (416) 446-1923
www.accumarkpg.com
President: Tom Green

Source Marketing LLC
Source Marketing is a full service strategic and promotional marketing agency providing a wide range of services to some of the world's leading brands and businesses. Their clients include Kellogg's, Discovery Channel, Beiersdorf, Entenmann's and Sony.

15 Ketchum Street
Westport, Connecticut 06880
Phone: (203) 291-4000
Fax: (203) 291-4010
www.sourcemkt.com
President: Howard Steinberg

eSource Drive to Web Marketing LLC
Launched in 2000, this start-up is focused on attracting new customers to e-commerce sites, and encouraging loyalty among existing customers of e-commerce brands.

15 Ketchum Street
Westport, Connecticut 06880
Phone: (203) 291-4015
Fax: (203) 291-4010
www.sourcemkt.com/serv_esource.html
Managing Partner: Mark Toner

Corporate Communications

Bryan Mills Group Ltd.
This leading-edge corporate communications firm has been providing annual reports, corporate advertising and marketing materials, digital communications, and multimedia support for annual meetings and investor presentations for nearly 25 years to a long list of blue-chip clients, such as Co-operators, Four Seasons Hotels, Canadian Tire, MDS and Hollinger.

1129 Leslie Street
Toronto, Ontario M3C 2K5
Phone: (416) 447-4740
Fax: (416) 447-4760
www.bryanmills.com
President & CEO: Nancy Ladenheim

McManus Elliott Communications Inc.
McManus Elliott is a marketing communications agency, specializing in investor relations services. Clients include Vincor International, VisuaLABS and Canadian Bankers Association.

347 Bay Street, Suite 601
Toronto, Ontario M5H 2R7
Phone: (416) 979-8300
Fax: (416) 979-8638
www.mcmanuselliott.com
President: Ron MacInnes

News Canada Inc.
News Canada provides public relations support to a growing list of major Canadian organizations such as Natural Resources Canada, Foreign Affairs and International Trade and a Canadian chartered bank. News Canada provides a unique and effective way for governments, companies and non-profit organizations to distribute tailored editorial messages with blanket distribution to thousands of publications across Canada.

111 Peter Street, Suite 404
Toronto, Ontario M5V 2H1
Phone: (416) 599-9900
Fax: (416) 599-9700
www.newscanada.com
President & Publisher: Ruth Douglas

Veritas Communications Inc.
Veritas is a public relations and government relations company servicing the healthcare industry. Clients include AstraZeneca Canada, McNeil Consumer Healthcare, Canadian Blood Services and Bayer Inc.

161 Eglinton Avenue East, Suite 704
Toronto, Ontario M4P 1J5
Phone: (416) 482-2248
Fax: (416) 482-2292
www.veritascanada.com
President & CEO: Jennifer Spencer

Interactive Marketing

CyberSight, LLC
CyberSight is one of North America's leading Internet professional services firm. Services include interactive business strategy, marketing and promotion strategy, customer segmentation and database analytics, on-line media planning and buying, web site design and operations, ebusiness and eCRM application development. Clients include Visa USA & International, The Quaker Oats Company, Molson Canada and Northwest Airlines.

220 NW Second Avenue, Suite 1100
Portland, Oregon 97209
Phone: (503) 228-4008
Fax: (503) 228-3629
www.cybersight.com
President & CEO: Andrew Shakman

Research & Consulting

Integrated Healthcare Communications, Inc.
Integrated Healthcare specializes in strategic consulting for healthcare clients, helping them to communicate effectively with physicians, other healthcare providers and consumers of healthcare services. Top clients include AstraZeneca, Janssen Ortho, Parke-Davis and Glaxo Wellcome.

555 Richmond Street West
P.O. Box 204, Suite 918
Toronto, Ontario M5B 3V1
Phone: (416) 504-8733
Fax: (416) 504-8737
www.ihc.com
President & CEO: Louise Huneault

Northstar Research Partners Inc.
Founded in 1998, Northstar provides market research and consulting services. Northstar's work is based on the idea that superior analysis must be rooted in an exceptional understanding of marketing strategy in order to assist clients in reaching their goals.

The Sterling Tower
372 Bay Street, Suite 1600
Toronto, Ontario M5H 2W9
Phone: (416) 907-7100
Fax: (416) 907-7149
President: Stephen Tile

Advertising

Crispin Porter + Bogusky LLC
Crispin Porter + Bogusky, a Miami-based advertising agency, is known as a high-profile creative shop. CP+B's clients include the Florida State anti-tobacco campaign, American Legacy Foundation and most recently BMW for the relaunch of the Mini Cooper.

2699 South Bayshore Dr.
Miami, Florida 33133
Phone: (305) 859-2070
Fax: (305) 854-3419
www.cpbmiami.com
Chairman: Chuck Porter

Branding & Corporate Identity

Strategies International
Strategies creates corporate identities and designs packages and supporting systems that enable clients such as Atlas Wines, Tim Horton's, Moosehead Breweries and McNeil Consumer Products to create and enhance brand equity with their customers.

135 Berkeley Street
Toronto, Ontario M5A 2X1
Phone: (416) 366-8883
Fax: (416) 366-2151
www.si-creative.com
President: Greg Bérubé

CORPORATE INFORMATION

Board of Directors
Chairman
Miles S. Nadal

Members
John P. Curtin, Jr.
Lloyd S.D. Fogler, Q.C.
Albert Gnat, Q.C.
Michael J.L. Kirby
Beverley A. Morden
Stephen M. Pustil
David R. Shaw
David M. Veit

Corporate Officers
Miles S. Nadal
Chairman

Beverley A. Morden
President and Chief Executive Officer

Glenn W. Gibson
Executive Vice-President
& Chief Financial Officer

Robert E. Dickson
Executive Vice-President,
Corporate Development

Stephen O. Marshall
Executive Vice-President,
Corporate Development

Walter Campbell
Vice-President, Finance

Deborah H. Troister
Vice-President, Human Resources

Viki A. Lazaris
Treasurer and Secretary

Legal Counsel
Canada
Fogler, Rubinoff LLP
Toronto, Ontario

USA
Davis & Gilbert LLP
New York, New York

Skadden, Arps, Slate, Meagher & Flom LLP
Toronto, Ontario

Auditors
BDO Dunwoody LLP

Bankers
Bank of Nova Scotia
Bank of Montreal
Canadian Imperial Bank of Commerce
Royal Bank of Canada
Toronto Dominion Bank

Transfer Agent
CIBC Mellon Trust Company

CIBC Mellon Trust Company operates a telephone information inquiry line that can be reached by dialing toll-free 1-800-387-0825 or (416) 643-5500.

Correspondence may be addressed to:
Maxxcom Inc.
c/o CIBC Mellon Trust Company
P.O. Box 7010
Adelaide Street Postal Station
Toronto, Ontario M5C 2W9

Investor Relations
Glenn Gibson
Executive Vice-President
& Chief Financial Officer
(416) 960-6090
information@maxxcominc.com

Stock Exchange Listing
The Common Shares of the Company are listed on The Toronto Stock Exchange

Toronto Stock Exchange Trading Symbol
MXX

Notice of Shareholders' Meeting
The annual meeting of shareholders will be held on Monday May 14, 2001 at 4:00 p.m. at The Toronto Stock Exchange Conference Centre, The Exchange Tower, 130 King Street West, Toronto, Ontario, Canada.

Historical Trading Summary
Toronto Stock Exchange *(Canadian dollars, except volume)*

2000 Quarters	High	Low	Close	Volume
1st	10.00	8.55	9.00	590,517
2nd	9.95	7.10	8.00	1,573,102
3rd	10.35	7.75	10.30	871,505
4th	11.35	9.00	9.75	1,754,631

FOUR YEAR FINANCIAL SUMMARY

(in thousands of Canadian dollars)

Operating Results

For the years ended December 31	**2000**	1999	1998	1997
Gross billings	**605,030**	368,384	159,412	71,814
Gross income	**262,505**	149,486	67,163	36,516
Operating income before other charges	**46,022**	27,877	13,147	7,300
Net income before goodwill charges	**15,865**	9,417	3,985	2,521
EBITDA	**33,085**	19,512	8,783	5,240
Cash flow from operations	**23,203**	12,964	6,623	3,120

Financial Position

As at December 31	**2000**	1999	1998	1997
Cash and cash equivalents (net of bank indebtedness)	**29,493**	28,620	14,896	3,854
Total assets	**367,912**	218,812	95,654	45,771
Long-term indebtedness including current portion	**57,850**	12,980	1,941	941
Shareholders' equity	**144,833**	100,818	52,208	26,720

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an MDC Company

Maxxcom Inc.
35A Hazelton Avenue
Toronto, Ontario, Canada M5R 2E3
Phone 416.960.6090
Fax 416.960.6093
www.maxxcominc.com